

KCM'S KOMMENTS—KURRENT NEWSLETTER

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“EKONOMIK & MARKET KOMPASS”



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MARKETS, ECONOMY AND WORLD ISSUES:

In general August was an unremarkable month. The Middle East continues to be a concern as does Russia's involvement in Ukraine. Overall, we don't expect Europe to go to war, and drag the USA into it, with Russia over Ukraine. We look to a solution in the Ukraine that reflects more autonomy for Eastern Ukraine and tolerance of their Russian leanings by Western Ukraine. Time will tell but to us it looks like Russia is seeking new land routes to sea-ports that will allow it to extend its sea power capability. Will the Balkans be next after Crimea/Ukraine?

As to the Middle East, this is a real mess that can lead to “boots on the ground” in Iraq and Syria. Those boots may be US but most likely will be a coalition of western forces. To just think we can send over airplanes without further military involvement is a bit naïve. Sustained air activity will bring ground forces into play. The resultant reactions by countries housing Islamic radicals will lead to economic concerns that will affect markets both there and here. We shall remain observant but at this time fully invested.

At home we saw the equity, fixed income and real estate markets move in a positive direction. Our 3 domestic equity strategies all turned in positive net total returns in line with their market benchmarks. Our fixed income strategies, as a group, also generated positive net total returns well ahead of the 1-3 year average maturity benchmarks for both government and municipal debt. Our real estate strategy was also a real winner coming in with net total returns well ahead of its Dow Jones REIT Index benchmark.

In the non-USA world, It was also comforting to see our Emerging Markets equity strategy coming in with positive net total returns which matched its emerging markets ETF benchmark (EEM).

Overall we remain vigilant and fully invested. Domestic economic reports may be less important over the next few months than world events related to Ukraine, the Middle East, and the Far East. We do not expect any major shift in FED interest rate policy. We do expect the pending mid-term elections will retard any significant activity out of Washington that could offend voters. The outcome will be important though because a Republican victory will bolster market sentiment for continued, slow growth coupled with limited tax increases and some further expenditure cuts.

Enjoy what's left of the summer weather. If next winter is like the last one, we can expect shoppers to stay home, home sales to drop, food prices to surge, and energy costs to rise too. Let's all hope for “normal” weather this fall and winter.